New Agenda for Achievement

Overview: New Agenda for Achievement

March 23, 2004

Canada

"Throughout our history, Canadians have been animated by a simple idea: that we have a responsibility to make sure our children and grandchildren lead even better lives in an even better land.... This budget honours that responsibility by laying the foundation for a better future."

Ralph Goodale, Minister of Finance
2004 Budget Speech

Introduction

Canada is a country that works.

Budget 2004 integrates social and economic policy in a new agenda for achievement.

This budget has two objectives:

- Providing Canadians with responsible and prudent financial management.
- Taking the first steps to implement the vision presented in the Speech from the Throne of strengthening Canada's social foundations, building a 21st century economy and restoring Canada to a place of pride and influence in the world.

It includes measures on:

- *Responsible and Prudent Financial Management*—improving accountability and integrity in government spending and maintaining balanced budgets or better.
- *Health*—promoting effective policies to sustain and strengthen our health care and public health systems.
- *Learning*—providing young Canadians with the tools to succeed, while encouraging life-long learning for citizens from all walks of life.
- *Communities*—laying a solid and sustainable foundation for a new deal for communities of all sizes.
- *Knowledge and Commercialization*—promoting increased productivity through investments in research and development.
- *Our Relationship to the World*—building and strengthening Canada's international ties.

Economic and Fiscal Prospects

Canada's economy was hit by a series of shocks in 2003 ranging from the severe acute respiratory syndrome (SARS) outbreak, a case of bovine spongiform encephalopopathy (BSE) and the Ontario power blackout to forest fires in British Columbia and Hurricane Juan in Nova Scotia.

All this, combined with the rapid increase of more than 20 per cent in the value of the Canadian dollar, pushed Canada's economic growth down to 1.7 per cent last year, well below the 3.2 per cent forecast by private-sector economists at the time of the last federal budget.

For 2004 private sector economists forecast an average growth rate of 2.7 per cent for Canada's economy, reflecting solid domestic fundamentals, low interest rates and a stronger U.S. economy. In 2005 growth is forecast to rise to 3.3 per cent.

Responsible and Prudent Financial Management

The Government of Canada is committed to balanced budgets or better in each of the next two years. This commitment to fiscal discipline means the Government will maintain its annual $3 billion Contingency Reserve which, if not needed to deal with unforeseen circumstances, will be used to reduce the federal debt. As well, the budget restores $1 billion in economic prudence for 2004–05 and 2005–06.

This kind of prudence is what enabled us to address some of the extraordinary burdens imposed by SARS and BSE, including $1 billion in direct assistance to agricultural producers to help offset the severe hardships caused by recent disease outbreaks and sudden drops in farm incomes

Budget 2004 also sets the objective of reducing Canada's debt-to-gross-domestic-product (GDP) ratio to 25 per cent within 10 years.

The Government is improving the management and oversight of spending by introducing a comprehensive plan, under the leadership of the President of the Treasury Board, designed to improve accountability and transparency by:

- Re-establishing the Office of the Comptroller General of Canada to oversee all government spending.
- Appointing professionally accredited comptrollers to sign off on new spending in every government department.
- Strengthening internal auditing on a government-wide basis.
- Implementing new corporate governance rules for crown corporations and requiring all five-year special audits to be tabled in Parliament.
- Introducing the phased-in implementation of automatic electronic disclosure of government contracts with only limited exceptions.

The Government has also:

- Reallocated $1 billion annually from low to high priority programs.
- Launched a fundamental review of all government spending by the Cabinet Committee on Expenditure Review, which is expected to find at least $3 billion in annual ongoing savings available for reinvestment within four years.

Health

As announced at the January 2004 First Ministers Meeting, the Budget confirms an additional payment of $2 billion in health care funding for the provinces and territories, bringing to $36.8 billion for funding provided under the 2003 Health Accord.

This additional money builds on initiatives announced in Budget 2003 to provide the provinces and territories with sustained and predictable funding for health care. By 2007–08, health and social cash transfers from the

Government of Canada to the provinces and territories will total $28.1 billion. This is an annual average increase of $1.8 billion, or 8 per cent, starting from 2003–04.

As well, recent cases of SARS, BSE and West Nile Virus in Canada have pointed to the need to develop a coordinated system to respond to national public health emergencies. Budget 2004 launches this process with an investment of $665 million this fiscal year and over the next two years, which includes:

- $165 million to assist in creating the new Canada Public Health Agency and to fund its main activities, including increasing emergency response capacity, and enhancing surveillance.
- $100 million to be invested in Canada Health Infoway to develop high quality, real-time public health surveillance systems.
- $400 million to provinces and territories to support a national immunization strategy and to assist in enhancing public health readiness.

Learning

Budget 2004 includes a comprehensive package of measures to make post-secondary education more accessible to all Canadians and promote lifelong learning, including:

- A new Canada Learning Bond (CLB) of up to $2,000 for every child, born after 2003, in a family that is entitled to the National Child Benefit (NCB) supplement. An initial $500 bond will be provided with subsequent $100 annual instalments for children, until age 15, in each year that the family is entitled to the NCB supplement.

- Significantly enhancing the Canada Education Savings Grant (CESG) matching rate for low- and middle-income families.
- Introducing a new upfront grant of up to $3,000 for first year post-secondary dependent students from low-income families.
- Raising the weekly loan ceiling under the Canada Student Loans Program to $210 from $165.
- Accelerating implementation of the agreement with the provinces and territories to improve access to affordable, quality early learning and child care programs.
- Extending the education tax credit to employees who pursue career-related studies.

New Deal for Communities

Budget 2004 takes the first steps on the Government's commitment to forge a new deal for communities of all sizes:

- Municipalities will receive an estimated $7 billion in GST/HST relief over the next 10 years.
- The $1 billion under the Municipal Rural Infrastructure Fund will be spent over the next five years instead of the previously announced 10-year period.
- Funding of $4 billion over 10 years will be provided to clean up contaminated sites.
- Federal programs will be strengthened to address the priorities of Aboriginal people and their communities.
- $15 million will be allocated annually for enhanced language training to reduce labour market barriers faced by skilled immigrants.

Community-Based and Non Profit Sector

Canadians depend on a wide range of community-based and non-profit organizations to contribute to the well being of individuals and families.

In recognition of the contribution of social economy enterprises and voluntary sector organizations, Budget 2004:

- Improves the tax rules for charities.
- Extends small business programs and helps establish capital funds and other sources of lending to benefit social economy enterprises.
- Provides additional funding over two years to the Voluntary Sector Initiative.

Knowledge and Commercialization

The Government recognizes the need to improve productivity and stimulate innovation to ensure the development of a 21st century economy.

One of the keys to improving productivity is sustained investment in new technologies. Therefore, Budget 2004:

- Increases the capital cost allowance (CCA) rate for computer equipment to 45 per cent from 30 per cent and the rate for broadband, Internet and other data network infrastructure equipment to 30 per cent from 20 per cent.

In addition, this budget sets out investments aimed at enhancing Canada's ability to succeed in an increasingly competitive global economy. These include:

- Additional funding of $90 million per year for Canada's three federal granting councils.
- $270 million to the Business Development Bank of Canada and the Farm Credit Corporation to provide venture capital for start up technology companies and lever additional private sector financing for investment in leading edge technologies.
- $100 million to improve the commercialization of research conducted at Canada's universities, hospitals and other research facilities.
- Accelerating by one year, the planned increase in the small business deduction limit—the amount of business income to which the 12 per-cent income tax rate applies—to $300,000 by 2005.

Our Relationship to the World

The Government will restore Canada's place of influence and pride on the global stage.

Budget 2004 supports this priority by introducing a series of targeted initiatives in domestic security, defence and foreign aid, including:

- An additional $250 million to cover the costs of the Canadian Forces' participation in peacekeeping missions in Afghanistan and the ongoing international efforts to prevent terrorism.
- $50 million in 2004–05 for Canada's military participation in the UN-sanctioned multinational peacekeeping force in Haiti.
- Exemption from tax on income earned by Canadian Forces personnel and police while serving on high-risk international missions.
- Committing an additional $605 million over five years to address security priorities such as intelligence, border protection, marine and cyber-security and enhanced co-ordination of systems, information, threat assessments and emergency response.
- An increase of $248 million in international assistance in 2005–06, building on the 8 per cent increase for 2004–05.
- Reducing the Air Travellers Security Charge (ATSC) for domestic, transborder and other international air travel.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

New Agenda for Achievement

The Budget Speech 2004

The Honourable Ralph Goodale, P.C., M.P.
Minister of Finance

March 23, 2004

Canada

New Agenda for Achievement

The Budget Speech

2004

Department of Finance Canada
Ministère des Finances Canada

© Her Majesty the Queen in Right of Canada (2004)
All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to Public Works and Government Services Canada.

Available from the

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5
Tel: (613) 995-2855
Fax: (613) 996-0518

and from participating bookstores.

Also on the Internet at:
www.fin.gc.ca

Cette publication est également disponible en français.

Cat. No.: F1-23/2004-1E
ISBN 0-662-36414-7

CHECK AGAINST DELIVERY

Introduction

Mr. Speaker, let me begin by thanking all those Canadians, from coast to coast to coast, who have helped me prepare this budget. Their optimism and pride in this country, their hopes for its future and their commitment to its values have played a major role in shaping the budget I present today.

During all my consultations, I was struck once again by the good common sense of Canadians—and by their sense of the common good. From Whitehorse to St. John's, I was reminded of values like hard work, straight talk and paying your bills; a sense of responsibility, one to another, of caring and inclusion; and a healthy skepticism that is more impressed by what you do than by what you say.

A few weeks ago, in the Speech from the Throne, this government presented an ambitious agenda for a new decade of Canadian achievement. We offered a view of this country as one brimming with opportunity; a nation recognized around the world both for the strength of its economy and its commitment to social justice; a nation respected, trusted and influential in global affairs.

Today, I am presenting a focused budget plan with two clear objectives: first, to demonstrate unequivocally the principles of financial responsibility and integrity; and second, to begin to give tangible shape to the goals presented in the Speech from the Throne. We are making the initial payments that we can afford to make, now. In future budgets and future years, we will build on the steps being taken today.

Let me make clear what this budget will do—and what it will not do.

Some have suggested that we will throw fiscal caution to the wind. We will not. Some have said that we will engage in a pre-election spending spree. We will not. Some have said that we will play fast and loose with the economic progress Canadians have worked so hard to achieve. We will not.

What we *will* do is make important investments in such key areas as health care, communities and learning, for these are the social foundations upon which Canadians will build better lives.

What we *will* do is give more Canadians the opportunity to succeed, to enlarge their ambitions and to pursue their dreams.

What we *will* do is balance the books and better control spending because Canadians have come too far and sacrificed too much to slide back into the glue of red ink and deficits. Again this year, Mr. Speaker, we present a balanced budget, as we will do next year and the year after that.

What we *will* do is keep our debt burden on a steady downward track to relieve the mortgage that our generation—and previous spending habits—have imposed on the future of our children.

And we will strengthen financial management and operational integrity within government because Canadians deserve the utmost in accountability, transparency and value for their hard-earned tax dollars. That is why we are announcing today a comprehensive plan, under the leadership of the President of the Treasury Board, for a modern expenditure management and oversight system aimed at preventing the kinds of financial abuses that have so understandably angered Canadians. As a government, we not only accept our responsibility for what went wrong, we also accept our responsibility to get it right.

First, we will re-establish the Office of the Comptroller General of Canada to rigorously oversee all government spending.

Second, we will appoint professionally accredited comptrollers to sign off on all new spending initiatives in every government department.

Third, we will reorganize and bolster the internal audit function on a government-wide basis to ensure comprehensive audit programs, based on sound risk analyses of all departmental activities, with the authority to delve into every corner of every portfolio, no matter how small or seemingly "special."

Fourth, we will introduce modern, real-time information systems to track all spending and provide appropriate tools for effective scrutiny and decision making. This will include the public disclosure of the contracts entered into by the Government of Canada, with only very limited exceptions such as national security.

Fifth, we will introduce new corporate governance rules for Crown corporations and require their five-year special audits, conducted by the Auditor General, to be tabled with Parliament and posted on their Web sites.

Taken together, these measures will enhance transparency, improve administration and help ensure that taxpayers' dollars are wisely spent. Management with integrity. Canadians deserve no less.

Mr. Speaker, these are important steps but we also need more. Quite apart from issues of integrity and ethics, government needs the courage and foresight to renovate and reshape its current spending patterns to better achieve both immediate and future priorities.

Within our first month in office, we began to tackle the task of identifying the $1 billion in ongoing savings across government which the previous budget had promised and booked. With this budget, we have finished that job through such decisions as cancelling the political history museum, foregoing VIA Rail's capital expansion, terminating the Sponsorship Program and the National Unity Reserve, reducing advertising programs, and trimming departmental budgets across the board, effective April 1, 2004.

Going forward, we need to re-examine and refocus more of our spending. For this purpose, we have created a Cabinet Committee on Expenditure Review, which is examining every dimension of government spending. The committee is setting stringent standards that every department will have to meet, and asking tough questions that every department will have to answer. The expenditure review process will be rigorous, testing for relevance and for excellence.

And I immediately want to answer the question, why? It is not about cutting. It is all about finding the money to do something new—to implement our multi-year agenda for a new decade of achievement. Revisiting what we do and how we do it should not be a one-time thing, sporadic or piecemeal. It should be an ongoing exercise to renew and rejuvenate government. And that must include investing in high-quality government management—attaching as much of a premium to strong management as we do to policy development.

Within a period of four years, we expect to identify at least $3 billion for new investments in the ever-evolving priorities of Canadians—in health care, learning and innovation, communities, Aboriginals, people with disabilities. And let me make one final point: we will not commit to these reinvestments unless and until we have found the money to pay for them.

Prudence With a Purpose

Mr. Speaker, responsible fiscal policy—including setting aside funds to address unforeseen circumstances—has been the cornerstone underpinning Canada's strong and resilient economic performance in recent years.

Last year this policy was needed more than ever as Canadians faced some hard and unexpected circumstances. From the bovine spongiform encephalopathy (BSE) crisis to the severe acute respiratory syndrome (SARS) outbreak, from a huge power blackout in Ontario to Hurricane Juan across Atlantic Canada and massive forest fires in British Columbia, 2003 brought

its full share of adversity. This extraordinary combination of extreme events had a significant impact on the well-being of all Canadians. Economic growth in 2003 was 1.7 per cent—about half of what private sector economists had originally predicted.

But because of the strong economic fundamentals which Canadians have worked so hard to secure, Canada had the capacity to weather the storm and emerge from 2003 in better shape than most expected. Indeed, it is in the rough patches that the purpose of setting aside money for contingencies really comes to the fore. That is what enabled us to address some of the extraordinary burdens imposed by SARS and BSE, including $1 billion in direct assistance to agricultural producers to help offset the severe hardships caused by recent disease outbreaks and sudden drops in farm incomes.

That is why a Contingency Reserve is so valuable and necessary. At the end of this current fiscal year, we expect that reserve to stand at $1.9 billion. I am pleased to report that for 2004–05 and 2005–06, our Contingency Reserve will be $3 billion. If not needed to cover unforeseen circumstances, such as those encountered this past year, the $3 billion will be used each and every year to reduce our debt. And, beyond the Contingency Reserve, this budget also sets aside a further $1 billion in economic prudence, with increasing amounts in outer years. If that extra prudence is not needed in any given year, it will be used to fund the priorities of Canadians.

Mr. Speaker, on the matter of debt, Canadians instinctively know that paying it down is the right thing to do—for themselves and for their government. And we have done that, paying down more than $52 billion of debt to date, resulting in interest savings of about $3 billion each and every year—money that is now being invested in priority areas such as health care and learning. Over the same period our debt-to-GDP (gross domestic product) ratio—the size of our debt relative to the size of our economy—has also been coming down. In fact, from its peak of 68 per cent in 1995–96, it fell to just over 42 per cent in 2003–04.

Now I know that bringing down the debt-to-GDP ratio sounds like something only a finance minister or a lonely economist could get excited about. But the simple fact of the matter is, everyone benefits. That's because a declining ratio means a stronger financial position overall, and a stronger financial position is what helps to keep interest rates low, so people can buy that first home, start a business, upgrade some farm equipment or otherwise invest for tomorrow.

And as we look just a bit down the road, we know that an aging population will soon have at least two profound effects on our society: there will be fewer people working, and therefore fewer contributing to the social programs we so value and, at the same time, there will be greater demand for those same programs, particularly health care. By prudently managing our finances today, we make sure we have the resources we will need to better satisfy these growing demands. So I am proposing that Canada set a reasonable goal of lowering its federal debt-to-GDP ratio to 25 per cent within 10 years.

It was with that kind of foresight that we restored the foundations of our public pension system, so Canadians can be confident that it will be there for them when they need it. The Canada Pension Plan is now actuarially sound for at least the next half century—one of the very few public pensions in the world to be so secure.

Economic and Fiscal Forecast

Mr. Speaker, in establishing the Government's economic projections for the coming years, we have again consulted with leading private sector economists and forecasters—a process which the International Monetary Fund has recently held up as an example for others to follow. This year we also made a special effort to include more regional points of view from the West and Atlantic Canada.

Based on those consultations, the average private sector forecast for real growth in 2004 is 2.7 per cent and 3.3 per cent for 2005. While much-improved over last year, this increased growth will still not be sufficient to make up the significant economic ground lost in 2003. Indeed, the effects of last year will be felt for some time and constrain our fiscal projections going forward.

Nevertheless, Canada will record its seventh consecutive balanced budget—something that has not been achieved since Confederation. This strong commitment to balanced budgets increasingly distinguishes Canada from every other Group of Seven (G-7) country. When faced with the global uncertainty of recent years, those other nations have all moved back into substantial deficits and rising debt—every single one of them. I am proud that Canada—and Canada alone—has held the line. We have stopped pushing our current financial burdens onto future generations.

The Road Ahead

Mr. Speaker, let me turn now to the specific steps we are taking to advance the social, economic and international agenda we set out in the Speech from the Throne.

The number one priority of Canadians is health care. No other priority speaks so directly to the decisions we have made as a country about how we will live as a society. No other priority speaks so eloquently to the commitments we have made to one another as citizens.

In our last budget support for health care was increased by $34.8 billion over five years. In addition, as confirmed by the Prime Minister just a few weeks ago, an additional $2 billion will flow to provinces and territories. Over the five-year framework covered by the 2003 First Ministers' Accord on Health Care Renewal, total federal cash transfers in support of health and other social programs will increase by an average of 8 per cent per year—significantly faster than the rate of growth in the economy overall. This is substantial funding. It is predictable funding. However, more work needs to be done.

The real challenge is putting Canada's health system on a truly sustainable footing. Indeed, when I met with my provincial and territorial colleagues in February, every single one of them reflected the consensus that I had heard during all of my pre-budget consultations—sustainability must be our focus. But what does that mean?

Money is part of it for sure, but so too is reform—making the necessary changes so our health care system will be there for Canadians when they need it. We need to focus on results—on measuring better and managing smarter to reduce waiting times and ensure the highest quality of care. And we must focus on governments working better together, not through duelling advertising campaigns. Canadians have had enough of the blame game. They want to see politicians fighting for medicare, not fighting over medicare.

To that end, my colleague, the Minister of Health, and I will be meeting with our provincial and territorial counterparts to develop a shared understanding of the issues related to sustainability, and to prepare the ground for another First Ministers' Meeting this summer to discuss the changes necessary and to make decisions for the future.

In the meantime, Mr. Speaker, events such as the SARS outbreak and the spread of the avian flu have reminded all of us that we now live in a more vulnerable world, where disease can be spread from one end of the globe to the other in just a matter of hours. As a result, we face new challenges to our public health systems, requiring new approaches and new responses.

With this budget, we begin to provide the resources for a new Canada Public Health Agency, to be able to spot outbreaks earlier and mobilize emergency resources to control them sooner. As a first step, we will transfer close to $400 million from Health Canada's current budget to establish the nucleus of this new agency.

Second, we will provide an additional $165 million over the next two years to invest in surge capacity, laboratories, surveillance systems and the kind of research that will lead to new vaccines and new treatments.

Third, we will provide the provinces with $400 million to enhance their immunization programs and help relieve stresses on local public health systems.

And fourth, we will provide $100 million to Canada Health Infoway—the health information highway—to develop a national real-time public surveillance system.

In total, this budget directs more than $1 billion to public health initiatives. Once the agency and its new CEO have developed a long-term strategic plan, we will be in a position to make further investments to ensure that Canadians receive the national public health agency they deserve.

Learning

Mr. Speaker, to be successful, a 21st century economy must be powered by ideas, imagination and innovation. Knowledge is the road both to economic progress and individual opportunity, and education is the bridge to take us there. Education can enable people to overcome differences in birth or background.

Back in my hometown of Wilcox, Saskatchewan, in the depths of the Depression a unique character named Père Athol Murray founded a remarkable prairie school known as Notre Dame. Père was tough as nails but he had a simple faith: that everyone should have the chance to go as far as their ability and hard work would take them; that an education could open doors, expand opportunities and change lives. That was certainly true in the Depression years and it is even more true today.

That is why, in previous budgets, we improved assistance to students, created the Canada Study Grants, supported lifelong learning, enhanced the education tax credit, and added the Canada Education Savings Grant (CESG) to registered education savings plans (RESPs). These measures were rooted in the fundamental belief that every Canadian who wants to learn should have the opportunity to do so.

And today we go further. I am announcing a broad package of measures aimed at promoting learning at every stage of life. We will advance these measures in consultation and cooperation with our provincial partners.

We begin in early childhood, because it is here that the foundation for future achievement is set. This budget will commit additional resources to the Multilateral Framework on Early Learning and Child Care so more children will be better prepared to learn at school and succeed in life. We will also provide increased resources to Understanding the Early Years, a pilot program which helps identify children whose readiness to learn is at risk. This program will be extended to 100 more communities.

When it comes to putting money aside for their children's education, Canadians know how hard it is to save—but how important it is to start. This challenge is particularly acute for low-income families who struggle just to make ends meet. To help these families, the Government currently provides significant support through the Canada Child Tax Benefit, in particular the National Child Benefit supplement. All in all, the annual federal investment in Canadian children and youth through the Canada Child Tax Benefit is on its way to $10 billion, making it one of the nation's most important social programs after medicare.

Still, too many Canadians, especially from low- and middle-income families, see a post-secondary education as an unattainable goal—not because the challenge is too great but because the cost is too high. To further assist these families to save for their children's education, I am announcing three important new measures.

First, beginning this year, we will introduce a learning bond in the amount of $500, which will be available to every child born after 2003 to families earning less than $35,000. Each year thereafter, for 15 years, the Government of Canada will contribute an additional $100. This will provide up to $2,000 for post-secondary education. Even with no additional contributions by parents or others, these funds could grow to nearly $3,000 by the time the child turns 18, providing a foundation for higher education and a better future. The learning bond will benefit more than 120,000 newborn children this year alone.

Second, for families earning less than $35,000, we will double the Canada Education Savings Grant on RESPs—from 20 per cent to 40 per cent on the first $500 of contributions each year. This means that for every five dollars that a low-income family contributes to an RESP, the Government of Canada will add two dollars. As a result, families receiving the learning bond and contributing as little as five dollars a week to an RESP could have close to $12,000 by the time their child is ready for post-secondary education.

Third, we will provide some 20,000 students from low-income families with new grants worth up to $3,000 to cover a portion of their first year of tuition.

To further expand access, I am also announcing the following additional measures.

For families earning between $35,000 and $70,000, the CESG will increase from 20 to 30 per cent on the first $500 of contributions per year. This could benefit more than 2 million children in middle-income families.

Mr. Speaker, each year the Canada Student Loans Program provides financial support for almost half of all full-time students in post-secondary education. Students across Canada have told us that the program needs to be updated to reflect the changing realities of changing times. We agree. We will improve the Canada Student Loans Program to better reflect the true cost of post-secondary education. Specifically, we will increase the weekly loan ceiling from $165 to $210. Eligible expenses will be modernized to include computers as a new essential. We will ensure that more students will qualify for Canada Student Loans by reducing the parental contribution expected from middle-income families. And for those in hardship, we will increase the maximum amount of debt reduction from $20,000 to $26,000.

Mr. Speaker, in Budget 2003 the Government proposed to address certain cc ncerns raised by people living with disabilities. They have asked that the Government take action on expenses connected to employment or education such as talking textbooks or sign language interpreters. This budget will allow such expenses to be deducted. In addition, to better reflect the costs incurred by caregivers, we will enhance the tax credit for medical and disability-related expenses.

To ensure that the benefits of a growing economy are shared fairly, we must be a nation that provides its citizens with the opportunity to improve their skills over the full course of their lives. The demand for new knowledge spans all occupations, at all levels, in all sectors.

At the present time the education tax credit, which helps students with non-tuition costs such as books and supplies, is not available to employees taking courses actually related to their employment. This serves to discourage the upgrading of skills within the workforce and limits opportunities for advancement. We will end that restriction and make the credit available to every Canadian worker pursuing career-related studies.

These initiatives, among others in this budget, will help to improve access to all forms of higher education and promote a culture of learning throughout life.

Knowledge and Commercialization

Mr. Speaker, over the past seven years we have dramatically increased federal support for research, especially at universities, colleges and research hospitals, by some $9 billion. This has been a crucial part of developing a modern, dynamic economy capable of generating innovation essential to future success. The results of this investment are already showing up in international rankings. Canada has risen from 13th place to 4th in the Organisation for Economic Co-operation and Development, and to first in the G-7, in terms of publicly performed research.

Initiatives such as the Canada Foundation for Innovation, Genome Canada, the Canadian Institutes of Health Research, Millennium Scholarships, the Canada Research Chairs and others have helped position Canada at the forefront of a knowledge-based world. Dr. Peter MacKinnon, the Chair of the Association of Universities and Colleges of Canada, has said that this federal focus on knowledge and innovation can "be in the 21st Century what the construction of the transcontinental railway was in the 19th Century. It can be a new National Dream."

To sustain our momentum, I am announcing today additional measures to strengthen Canada's research advantage. These include increased funding for Canada's three granting councils and Genome Canada, plus additional support for the indirect costs associated with university research.

With all of these initiatives, Canada is developing an environment in which ideas flowing from scientific discovery are being generated at an unprecedented rate. Now we must focus on bringing these ideas to market; to realizing their commercial potential. That is what will drive our economy forward, increasing investment and employment.

Financing is the oxygen of entrepreneurship, enabling companies to move from the earliest stages of development to commercial maturity. If Canada is to become an incubator of dynamic new companies, we must do a better job of getting resources into the hands of Canadian entrepreneurs so they can turn great concepts into going concerns.

To expand venture capital, this budget will provide $270 million in new financing for promising start-up companies. When combined with private sector investments, this is expected to yield a total of $1 billion in early-stage financing. This money will seed promising new enterprises, with priority given to those involved in the life sciences and biotechnology, information and communications technologies, environmental technologies, medical devices and nanotechnology.

Mr. Speaker, Canada's small and medium-sized businesses remain key engines of Canadian growth, taking risks, seizing opportunities, creating jobs. To encourage their further growth and development, this budget takes action on a number of fronts.

We will lower the costs of using the government electronic tendering system for federal government procurement, making it more affordable, accessible and competitive for more small businesses.

On taxes, small businesses benefit from a lower tax rate on income up to $250,000. Last year we committed to increasing the amount of income eligible for this lower rate to $300,000 by 2006. Today we will advance that to 2005.

And on innovation, Canadian businesses have embraced the essential formula for success in a knowledge economy—ingenuity plus technology equals productivity. To encourage more companies to adopt new technology more quickly, this budget increases depreciation rates for computers and other Internet and broadband technology to better reflect their useful life. This will benefit entrepreneurs and innovators in every sector, increasing productivity and creating 21st century jobs.

Canada's auto industry is hugely important to our economy. In conjunction with industry, labour and members of Parliament, this government will prepare a new National Strategic Framework for the Canadian auto sector in the 21st century. The strategy will undoubtedly include a strong emphasis on research and development. The new funding set aside in this budget to invest in advanced science and technology will help support innovative work on the next generation of smart, fuel-efficient and hybrid vehicles and renewable fuels.

Communities

Mr. Speaker, living within our means, getting better value for every tax dollar, strengthening health care and expanding opportunities for learning are all crucial steps toward a decade of achievement.

But we also know that Canadians do not live in markets nor raise their children in economies; they do so in neighbourhoods, in communities. It is here that public policy meets private lives. It is here that the decisions we make affect the lives Canadians lead. Communities are the front lines for social issues and the engines for economic growth, attracting talent from around the world and forming the foundation for dynamic high tech clusters.

We need to ensure that Canada's communities provide a quality of life second to none. That is why the Prime Minister made a commitment to a New Deal for communities. For this government, the need for a New Deal is clear, the benefits compelling and the time is now.

Clearly, the Government of Canada is prepared to play its role and contribute its share. But a New Deal is not just about federal transfers of fiscal resources. It's about a transformative new partnership, involving all levels of government—federal, provincial and municipal. It's about doing things differently and doing things better.

We will table legislation to implement the commitment made in the Speech from the Throne to provide full relief from the goods and services tax to all municipalities. This puts $7 billion into the hands of communities over the next 10 years—starting with $580 million in 2004–05 and $605 million in 2005–06. This is real money for improved roads, better transit, clean water and expanded local services.

In addition, this government remains committed to working with the provinces to share with municipalities a portion of gas tax revenues or to determine other fiscal mechanisms which achieve the same goals.

On another front, we have committed some $12 billion over the past number of years to help address a broad range of community infrastructure needs, and some of that funding is still outstanding. Today's budget will accelerate the $1 billion committed last year to municipal and rural infrastructure so the money flows over 5 years rather than 10. This will allow many smaller communities to meet pressing needs and to commence priority projects sooner.

We will also push forward with our $1-billion fund for affordable housing. Only about half of it is invested to date, and we want to put it all to work quickly—even while we plan with our partners for the next tranche of housing investment.

Mr. Speaker, every day, in towns and cities across Canada, there are millions of people who make our country stronger, our lives richer and our future brighter by giving back to their communities. One way they do it is through the "social economy." Social economy enterprises are organizations that run like businesses, producing goods and services, but which manage their operations on a not-for-profit basis. Instead, they direct any surpluses to the pursuit of social and community goals. The social economy is too often overlooked and under-appreciated.

This government will take steps to encourage the development of the social economy, support its aims, expand its efforts. Specifically, we will provide these organizations with access to our small business programs and provide new funding to strengthen support in three priority areas: capacity building, financing and research. Armed with these new tools, those involved in the social economy will be able to extend their work, touching lives and building communities.

And speaking of touching lives, we will also begin to reshape a New Horizons Program for Canadian seniors. And we will find creative means to bolster the usefulness and reach of Community Futures organizations and other instruments of regional development and diversification.

Mr. Speaker, a significant percentage of Aboriginal people live off reserve, often in urban centres, where they face unique challenges and pressures. Through the Urban Aboriginal Strategy, this government is working with communities across the country to find solutions to these challenges. Today I am announcing that we will double the funding for this initiative and extend it from three years to four, so that more communities can participate in meeting the needs and addressing the priorities of Aboriginal people.

This budget also will provide support for the establishment of an Independent Centre for First Nations Government, which will lead the way in advancing self-government by building capacity within Aboriginal communities.

Canada's Aboriginal population is young—50 per cent are under the age of 25. To ensure that this generation receives every opportunity to acquire the skills and knowledge necessary for success, we are renewing funding for the Aboriginal Human Resources Development Strategy.

Mr. Speaker, few things have a greater impact on the quality of life in our communities than the quality of our environment. This generation has both the responsibility and the opportunity to leave this land better than we found it, and that means cleaning up polluted sites. This cleanup will have long-term benefits, leaving a healthier environment for our children and our children's children. But it will also have immediate benefits, providing employment and training opportunities, especially for Aboriginals in the North. Cleaning up contaminated sites will reduce threats to vulnerable ecosystems, spur economic development, enhance quality of life and rejuvenate communities right across the country.

This budget commits $3.5 billion over 10 years to accelerate the cleanup of sites for which the Government of Canada is responsible—the largest single environmental investment ever made by this—or any—government and one which will quite literally change the face of many communities.

In addition, we will provide $500 million over 10 years to do our part in the remediation of certain other sites. As a priority, we will focus on the tar ponds in Sydney, Nova Scotia.

There is no doubt that environmental stewardship means addressing the legacies of the past. But environmental technologies also create exciting opportunities for our future. Mr. Speaker, the Government will sell its stake in Petro-Canada. And a portion of the proceeds from the sale will be used to invest in new environmental technologies. We will take immediate action by increasing the funding for Sustainable Development Technology Canada by $200 million and expanding its mandate so that it can address issues of clean water and soil. All told, the Government will invest at least $1 billion in environmental technologies over the next seven years.

International

Mr. Speaker, in the Speech from the Throne, this government announced a comprehensive, integrated review of our international policies. But our commitments cannot be put on hold. We need to continue our work.

More than ever, Canadians are thinking, living and acting internationally.

Canada has committed to double our international assistance budget by 2010–11. Today we are taking an important step toward this goal by increasing this assistance by $248 million for 2005–06. We have made a commitment to the world's poorest, and we will honour it.

Quite often the face of Canada around the world is that of the brave men and women of our armed forces. They shoulder the burdens and accept the dangers of service, and our nation's heroes deserve our nation's gratitude. I am pleased to announce today a measure aimed specifically at helping soldiers and their families. For those periods when Canadian soldiers are risking their lives overseas, they will no longer pay income tax here at home.

And Mr. Speaker, we must ensure that our military has the resources it needs to carry out its current duties. This budget provides $300 million for ongoing operations in Afghanistan and for Canadian participation in a United Nations' multinational force in Haiti.

It also confirms that we will proceed with the purchase of new equipment and, in the case of search and rescue airplanes, we will accelerate their acquisition so that the Canadian Forces can take delivery years ahead of schedule.

Mr. Speaker, 60 years ago, on June 6, 1944, the Third Canadian Division landed on Juno Beach and, with their courage, helped to free a continent and defeat a tyrant. Many died fighting for a peace they would not see and a future they would not know. To preserve the memory and to tell the story of what Canadians did that day, this budget provides a $1.5-million contribution to the Juno Beach Centre at Courseulles-sur-Mer in Normandy.

A Decade of Achievement

Just as that earlier generation of Canadians met the challenges of their day, so must we meet the challenges of ours. The time has come to launch a new decade of achievement. That means strengthening the social foundations upon which Canadians rely and individual initiative can build. It means building a truly 21st century economy, where there is opportunity for all. And it means restoring Canada's place of pride and influence in the world.

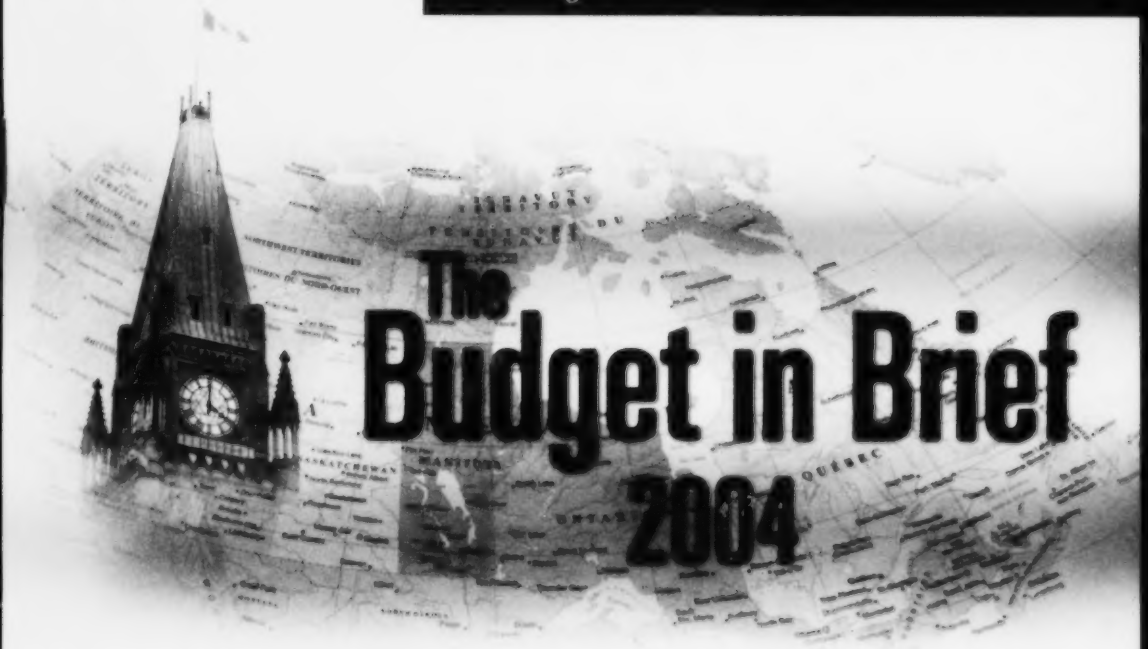
A nation as blessed as ours should always aim higher and reach further. We should have a health care system where people indeed get the care they need, when they need it. Well over half of our population should have a post-secondary education. Our communities should be Canada's signatures to the world—attractive, inclusive, productive, secure. We should have a society in which people with disabilities and the disadvantaged have as great an opportunity to fulfill their potential as anyone else. We should have a society in which Aboriginal people take their rightful place, with pride. These goals are within our grasp. A nation as great as ours should reach them. And in this budget we are striving to do so.

Conclusion

Mr. Speaker, throughout our history, Canadians have been animated by a simple idea: that we have a responsibility to make sure our children and grandchildren lead even better lives in an even better land; that Canada is not simply a legacy to be inherited, it is an opportunity to be enlarged. And so it remains today.

This budget honours that responsibility by laying the foundation for a better future. And it does so not by trying to be all things to all people, but by trying to put people at the heart of all we do. That is the path we choose. That is the journey we begin today.

New Agenda for Achievement



The Budget in Brief 2004

The Honourable Ralph Goodale, P.C., M.P.
Minister of Finance

March 23, 2004

Canada

New Agenda for Achievement

The Budget in Brief

2004

Department of Finance Canada
Ministère des Finances Canada

© Her Majesty the Queen in Right of Canada (2004)
All rights reserved

All requests for permission to reproduce this document
or any part thereof shall be addressed to Public Works
and Government Services Canada.

Available from the

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5
Tel: (613) 995-2855
Fax: (613) 996-0518

and from participating bookstores.

Also on the Internet at:
www.fin.gc.ca

Cette publication est également disponible en français.

Cat. No.: F1-23/2004-2E
ISBN 0-662-36415-5

Budget 2004—New Agenda for Achievement

Introduction

Canadians are united by a belief in equality of opportunity. It is a principle that defines us as a nation, a cause that unites us as a community and a goal that defines this government.

In the Speech from the Throne, the Government set out an ambitious agenda to improve the standard of living and quality of life of all Canadians. Its three themes are to strengthen Canada's social foundations, build a dynamic 21st century economy and restore Canada's influence in the world.

Just as Canadians are united by the belief in equality of opportunity, so too are the three themes of the Government's agenda. For it is by giving all Canadians the opportunity to succeed, to reach their potential, and to build a better life for themselves, their families and their communities that Canada will succeed and be a model for the world.

At the core of this budget is the recognition that to achieve our goal of better lives for all Canadians, our social and economic policies must be mutually reinforcing. Quite simply, there can be no strong economy without a secure society, and no secure society without a strong economy to support it. And underlying this must be the prudence of balanced budgets that comes with living within our means.

Therefore, this budget is built on the foundation of creating opportunity for individuals. It recognizes that opportunity has many dimensions and can be defined in many ways.

The measures in this budget have been designed to meet the test of what Canadians believe are our priorities as a nation. They focus on the importance of health care, learning, communities, the economy and our place in the world, each of which is crucial to the creation of opportunity for each and every Canadian. Each is a step down the path towards a Canada of opportunity and achievement.

This budget lays the foundation for that greater Canada, a nation where individual opportunity translates into economic achievement and social justice.

Highlights

Economic Developments and Prospects

- During 2003 economic activity in Canada slowed because of a series of unforeseen shocks. As a result, real gross domestic product (GDP) expanded only 1.7 per cent for the year, well below the 3.2 per cent expected by private sector economists at the time of the 2003 budget.

- Nevertheless, strength in domestic demand through most of the year, supported by low interest rates, helped offset the weakness in exports.

- Canada's labour market strengthened in the latter part of 2003. Since December 2002 the economy has created 271,900 new jobs, all full-time.

- Solid domestic fundamentals, low interest rates and a more favourable global environment, particularly a stronger U.S. economy, are expected to support more robust Canadian economic growth this year.

- Private sector economists expect the Canadian economy to grow by an average of 2.7 per cent in 2004, significantly better than last year but still well below the 3.5 per cent forecast at the time of the 2003 budget.

- Private sector economists expect a further pickup in growth to 3.3 per cent in 2005.

- There are two main risks to the Canadian economic outlook:
  - The uncertainty surrounding the economic impact of the rapid rise of the Canadian dollar.
  - The sustainability of the U.S. economic recovery.

Sound Financial Management

- The seventh consecutive balanced budget is projected for 2003–04, the first time since Confederation, and balanced budgets or better are forecast for 2004–05 and 2005–06.

- The $3-billion Contingency Reserve is maintained, and $1 billion in economic prudence restored, for 2004–05 and 2005–06.

- The federal debt-to-GDP ratio is expected to fall to 42 per cent in 2003–04, down from its peak of 68.4 per cent in 1995–96. The ratio is forecast to decline to 38 per cent by 2005–06.

- To be in a better position to deal with pressures related to an aging population, the Government has set a new objective of reducing the federal debt-to-GDP ratio to 25 per cent within 10 years.

- In this budget program expenses are projected to grow an average of 4.4 per cent in 2004–05 and 2005–06, roughly in line with projected growth in the economy.

- As part of instituting a new management approach in government, the budget implements $1 billion in annual reallocation from existing spending in 2004–05 and beyond to meet Budget 2003 commitments.

- As well, the Cabinet Committee on Expenditure Review is examining all programs to identify at least $3 billion annually in savings within four years for reinvestment in the priorities of Canadians while improving government management.

- Furthermore, a new plan for better spending management and oversight is being introduced under the leadership of the President of the Treasury Board, which includes re-establishing the Office of the Comptroller General of Canada, strengthening departmental comptrollers and internal audits.

- The Government intends to sell its remaining shares in Petro-Canada in 2004–05.

Moving Forward on the Priorities of Canadians

The Importance of Health

- Confirmation of an additional $2 billion for the provinces and territories for health, bringing to $36.8 billion the funding provided under the February 2003 First Ministers' Accord on Health Care Renewal.

- Establishment of a new Canada Public Health Agency as a focal point for disease control and emergency response.

- Immediate funding of $665 million in this fiscal year and over the next two years to improve Canada's readiness to deal with public health emergencies. This is in addition to the approximately $400 million to be transferred from Health Canada to the new Canada Public Health Agency.

- Improved tax fairness for Canadians with disabilities and caregivers.

- Increased funding of $30 million annually to support employment assistance programming delivered by provinces and territories for Canadians with disabilities.

The Importance of Learning

- Introduction of a new Canada Learning Bond, which will provide up to $2,000 for children in low-income families born after 2003 for post-secondary education.
- Enhancement of the Canada Education Savings Grant matching rate for low- and middle-income families.
- Introduction of a new grant of up to $3,000 for first-year, post-secondary dependent students from low-income families.
- Introduction of an up-front annual grant of up to $2,000 for post-secondary students with disabilities.
- Increase in the ceiling for Canada Student Loans to $210 a week from $165.
- Increase in the income thresholds used for determining eligibility for student loan interest relief.
- Increase in the maximum amount of debt reduction for students facing financial difficulty to $26,000 from $20,000.
- Extension of the education tax credit to employees who pursue career-related studies at their own expense.
- Investment of $125 million over five years for the Aboriginal Human Resources Development Strategy.
- Doubling to $50 million support for the Urban Aboriginal Strategy.

The Importance of Knowledge and Commercialization

- Annual increase of $90 million to Canada's three federal granting councils.
- Increase of $20 million annually to help offset the indirect costs of research by universities and research hospitals.
- An additional $60 million to Genome Canada to strengthen its research.
- Additional funding to improve the capacity for commercialization at universities, hospitals and other research facilities.
- New funding of $270 million set aside to enhance access to venture capital financing for companies turning promising research into new products and services.
- Acceleration by one year, from 2006 to 2005, of the increase in the small business deduction limit to $300,000.
- Increase in the capital cost allowance rate for computer equipment to 45 per cent from 30 per cent, and in the rate for broadband, Internet and other data network infrastructure equipment to 30 per cent from 20 per cent.

The Importance of Communities

- $7 billion in GST/HST relief for municipalities of all sizes over the next 10 years.
- Acceleration of the $1-billion Municipal Rural Infrastructure Fund, with spending over the next 5 years instead of 10.
- A stronger voice for municipalities in the federal decisions that affect them.
- New funding of $15 million a year in support of enhanced language training to reduce labour market barriers faced by immigrants.
- Increased funding for the Urban Aboriginal Strategy.
- Funding of $4 billion over 10 years to clean up contaminated sites.
- New funding ($1 billion over 7 years) to support the development and commercialization of new environmental technologies, reflecting the sale of Petro-Canada.
- More effective tax rules for registered charities and ongoing support for the Voluntary Sector Initiative.
- Increased support for community-based economic development and the social economy.

The Importance of Canada's Relationship to the World

- An additional $250 million to cover the costs of Canada's participation in peacekeeping missions in Afghanistan and the fight against terrorism.
- An additional $50 million for Canada's participation in the peacekeeping force in Haiti.
- Additional capital funding in 2005–06 to advance priority capital investments.
- Exemption from tax of the income earned by Canadian Forces personnel and police on high-risk international missions.
- Commitment of a further $605 million to address security issues.
- A reduction in the Air Travellers Security Charge.
- An increase of $248 million, or 8 per cent, in international assistance in 2005–06.

Table 1
Spending and Revenue Initiatives: 2004 Budget

	2003–04	2004–05	2005–06
		(millions of dollars)	
Importance of Health			
Canada Health and Social Transfer cash supplement	2,000		
Strengthening Canada's public health system	500	80	85
Inclusion of persons with disabilities		50.5	57.9
Total	**2,500**	**131**	**143**
Importance of Learning			
Caring for Canada's children		91	93
Helping families plan ahead for post-secondary education		105	302
Encouraging lifelong learning		25	40
Economic opportunities for Aboriginal Canadians		30	31
Total		**251**	**466**
Importance of Knowledge and Commercialization			
Building research foundations		170	115
Commercialization of research		20	20
Venture capital financing[1]		(255)	(15)
Investing in offshore development		7	7
Small business and entrepreneurship		1	24.5
Strengthening the Canadian tax advantage		95	200
Total		**293**	**367**
Importance of Communities			
New Deal for communities: first steps	100	605	655
The community-based and non-profit sector		15	15
Supporting the social economy		35	43
Environment and sustainable development		205	10
Other initiatives in support of communities		52.5	53
Total	**100**	**913**	**776**
Importance of Canada's Relationship to the World			
Defence		277	85
Security reserve		115	115
International assistance[2]			248
Canada Corps		5	10
Total		**397**	**458**
Other			
Agriculture assistance	1,000		
Equalization and Territorial Formula Financing renewal		195	202
Other		37.5	100
Total	**1,000**	**233**	**302**
Total: spending and revenue initiatives	3,600	2,216	2,511
of which:			
Spending initiatives	3,500	1,486	1,621
Revenue initiatives	100	730	890

[1] Federal support will be in the form of an equity injection, i.e. the purchase of shares. As a result, there will be no budgetary impact.

[2] In the 2003 budget, the International Assistance Envelope was increased by 8 per cent in both 2003–04 and 2004–05.

Table 2
Summary Statement of Transactions (Including March 2004 Budget Measures)

	Actual 2002–03	2003–04	2004–05	2005–06
		(billions of dollars)		
Budgetary transactions				
Budgetary revenues	177.6	181.1	187.2	195.8
Total expenses				
Program expenses	-133.3	-143.4	-147.9	-156.1
Public debt charges	-37.3	-35.8	-35.4	-35.7
Total expenses	-170.6	-179.2	-183.3	-191.8
Underlying budgetary surplus	7.0	1.9	4.0	4.0
Prudence				
Contingency Reserve		1.9	3.0	3.0
Economic prudence			1.0	1.0
Total		1.9	4.0	4.0
Budgetary balance	7.0	0.0	0.0	0.0
Federal debt (accumulated deficit)				
Balanced budget (no debt reduction)	510.6	510.6	510.6	510.6
Apply Contingency Reserve to debt	510.6	508.7	505.7	502.7
Non-budgetary transactions	0.7	2.0	-4.5	-4.0
Financial source/requirement	7.6	2.0	-4.5	-4.0
Per cent of GDP				
Budgetary revenues	15.4	14.9	14.8	14.7
Program expenses	11.5	11.8	11.7	11.7
Public debt charges	3.2	2.9	2.8	2.7
Budgetary balance	0.6	0.2	0.3	0.3
Federal debt (accumulated deficit)				
Balanced budget (no debt reduction)	44.2	42.0	40.4	38.4
Apply Contingency Reserve to debt	44.2	41.9	40.0	37.8
Other				
Public debt charges as a share of revenues	21.0	19.8	18.9	18.2
Annual per cent change				
Budgetary revenues	3.4	2.0	3.4	4.6
Program expenses	6.6	7.6	3.1	5.6
Total expenses	3.6	5.0	2.3	4.7

Note: Numbers may not add due to rounding.

New Agenda for Achievement

Responsible and Prudent Financial Management

March 23, 2004

"Management with integrity. Canadians deserve no less."

Ralph Goodale, Minister of Finance
2004 Budget Speech

More Accountable Government for Canadians

Sound fiscal management requires that each tax dollar be spent on the priorities that matter most to Canadians.

Canadians expect nothing less than cost-effective approaches to delivering programs and complete accountability for how and where their taxes are spent. They must know that these tax dollars are being spent wisely.

Budget 2004 demonstrates the Government's commitment to fiscal prudence. The Government is enacting measures to improve expenditure control and efficiency and put in place the financial management and accountability measures that meet the expectations of Canadians.

It will do this by:

- Maintaining a prudent approach to fiscal planning by:
  - Delivering a seventh consecutive balanced budget, maintaining the Government's Contingency Reserve and restoring economic prudence.
  - Continuing to use the Contingency Reserve, if not needed for unforeseen circumstances, to reduce debt.

Canada

- Setting a debt-to-gross-domestic-product (GDP) ratio objective of 25 per cent in 10 years.

■ Improving expenditure control and accountability by:

- Securing $1 billion a year from existing spending to meet Budget 2003 commitments.
- Completing an extensive review of all programs and expenditures.
- Introducing a new plan for strengthened financial management and accountability.

Maintaining a Prudent Approach to Fiscal Planning

Canada was hard hit by a series of economic shocks in 2003, including severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE), the blackout in Ontario and the rapid appreciation of the Canadian dollar.

But thanks to prudent and sound fiscal management, Canada was the only Group of Seven (G-7) country to record a surplus in 2003, for the second year in a row. The Organisation for Economic Co-operation and Development (OECD) expects Canada will be the only G-7 nation to post a total government surplus again this year. Budget 2004 marks the seventh consecutive year the Government has achieved a balanced budget or better, the first time that has happened since Confederation.

The Contingency Reserve, if not needed for unexpected events will go towards debt reduction each and every year.

This kind of prudence is what enabled us to address some of the extraordinary burdens imposed by SARS and BSE, including $1 billion in direct assistance to agricultural producers to help offset the severe hardships caused by recent disease outbreaks and sudden drops in farm incomes.

To build on this record of achievement, the Contingency Reserve will be maintained at $3 billion in 2004–05 and beyond.

During the past six years, the Government has reduced the federal debt by $52 billion, saving $3 billion a year in interest payments.

The Government is also restoring economic prudence in its budget planning, at $1 billion in 2004–05 and 2005–06.

Where Government Revenues Come From 2002–03

With ongoing budget surpluses, the federal debt-to-GDP ratio is expected to fall to 42 per cent in 2003–04 from its peak of 68 per cent in 1995–96. However, to ensure Canada is well prepared to cope with the looming pressures caused by an ageing population, Budget 2004 sets a goal of lowering the federal debt-to-GDP ratio to 25 per cent within 10 years.

Better Expenditure Control

Responsible fiscal management goes beyond being prudent. It requires programs that are cost-effective and meet the priorities of Canadians.

On December 16, 2003, the Government announced immediate measures to control costs so that it could provide $2 billion in additional health care funding this year to the provinces and territories.

It imposed an immediate freeze on major capital projects and a detailed scrutiny of every remaining expenditure for the rest of the fiscal year.

Savings of $1 billion

Building on these immediate steps, and consistent with the commitment made in Budget 2003, the government has identified savings of $1 billion from existing programs and every department's budget in 2004–05 and beyond.

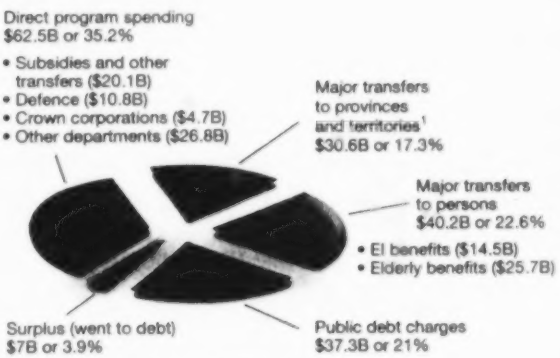
Measures that have already been taken to reach the $1 billion target include cancelling the political history museum, foregoing VIA Rail's capital expansion, terminating the Sponsorship Program and the National Unity Reserve and reducing advertising programs.

A Comprehensive Spending Review

In addition, the new Expenditure Review Committee (ERC), chaired by the President of the Treasury Board, is conducting a fundamental review of all programs and expenditures.

It will set stringent new standards for every department to ensure spending remains under control and is aligned with the evolving priorities of Canadians. It will also focus on such major activities as government-wide procurement, property management, and information technologies.

Where Your Tax Dollars Go 2002–2003



[1] Includes equalization, Canada Health and Social Transfer and Territorial Formula Financing.

Within a period of four years, the government expects the ERC process to identify at least $3 billion annually in savings for new investments in the ever-evolving priorities of Canadians—in health care, learning and innovation, communities, Aboriginal Canadians and the disabled.

Strengthening Financial Management and Accountability

Budget savings will only be meaningful if combined with improved accountability. Recent events have made it clear that the present system must become much more rigorous to achieve the best possible use of taxpayers' money.

A comprehensive package of new measures, under the leadership of the President of the Treasury Board, was announced today. This package is based on the following key accountability measures:

- Re-establishing the Office of the Comptroller General of Canada to oversee all government spending.
- Appointing professionally accredited comptrollers to sign off on new spending in every government department.
- Strengthening internal auditing on a government-wide basis.
- Introducing electronic disclosure of government contracts with only limited exceptions such as national security.
- Implementing new corporate governance rules for Crown corporations and requiring all five-year special audits to be tabled in Parliament.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Strengthening Public Sector Management

March 23, 2004

"We are at a truly transformative moment in modern public sector management. The public sector needs to restructure, to speed up decision-making, respond to change, and focus on citizen-driven service delivery."

Reg Alcock,
President of the Treasury Board
and Minister responsible for the
Canadian Wheat Board

Introduction

Canadians want good governance. They want to know that government programs are well managed. They want greater openness and transparency. And, they want to be able to hold Parliament, their Government, and public sector officials to account for results—good and bad.

Strengthening public sector management is a fundamental part of our efforts to achieve these objectives and ensure greater transparency, accountability, fiscal responsibility, and ethical conduct in government.

As the Prime Minister has stated, "our goal should be nothing less than the finest public service in the world."

Globalization, increased public scrutiny and demand for greater openness, transparency and accountability, and the rise of the knowledge-based economy have all placed huge demands on public sector management.

The traditional structures of government, however, often cannot deliver the changes necessary to adapt and adjust to changing public priorities. Indeed, democratically elected governments throughout the industrialized world are struggling with growing pressures to modernize public sector management.

It is vital for Canada to be at the forefront of this revolution in public sector management. A modern, vibrant, and effective public sector plays an important role in the quality of life of Canadians.

A more vibrant public sector will contribute to our efforts to build a 21st century economy, strengthen Canada's social foundations, and secure Canada's place in the world.

Strategy and Objectives

The Government recognizes that Canadians expect their government to not only balance the books, but also to manage them with integrity.

The Government also believes in tackling issues head-on and at all levels. That is why since it came to office on December 12, 2003, it has consistently taken steps to put in place concrete measures to strengthen openness and transparency, improve value-for-money, and restore trust and accountability across government—and it will continue to do so.

To achieve these objectives and to strengthen public sector management, the Government is working hard to:

- Strengthen comptrollership and improve oversight.
- Enhance the role of Parliament and the proactive disclosure of information so that Canadians are better able to hold Parliament, their Government, and public sector officials to account.
- Modernize and transform management practices and the ongoing review of government spending to improve administration and ensure tax dollars are spent wisely.
- Build capacity and better tools within the public service to support good management.

Key Initiatives

As part of these efforts, and to prevent the kinds of abuse that have recently come to light, the Government is moving forward with a comprehensive plan to strengthen comptrollership, expenditure management, and oversight across the federal public sector.

Budget 2004 includes measures to:

1. **Re-establish the Office of the Comptroller General of Canada to rigorously oversee all government spending.** The role of the Office of the Comptroller General of Canada is to oversee all government spending, to provide leadership across the public service financial management community, and to ensure standards are set and adhered to. The position will be staffed by an experienced and recognized management expert.

2. **Appoint professionally accredited comptrollers to sign off on all new spending initiatives in every government department.** The appointment of departmental comptrollers will be subject to approval of the Comptroller General.

3. **Reorganize and bolster the internal audit function on a government-wide basis to ensure comprehensive audit programs, based on sound risk analyses of all departmental activities, with the authority to delve into every corner of every portfolio.** Treasury Board Secretariat will examine and approve risk analysis profiles of departments and agencies.

4. **Introduce modern, timely, enterprise-wide financial and human resource information systems to track all spending and provide appropriate tools for effective scrutiny and decision-making.** A new Expenditure Management and Information System will support ongoing expenditure reviews and improved reporting to Parliament.

5. **Introduce new corporate governance rules for Crown corporations and require their five-year, special audit, conducted by the Auditor General, to be tabled with Parliament and posted on their web sites.** A comprehensive review of Crown corporations is underway and will be completed by September 30, 2004.

   In addition, building on the recent initiative to proactively disclose travel and hospitality expenditures by ministers and senior officials, the Government will continue to make its operations more transparent by proactively disclosing information on its activities.

   To this end, Budget 2004 commits departments to publicly disclose all contracts entered into by the Government of Canada for amounts over $10,000, with only very limited exceptions such as national security. These new requirements will be phased in over time, starting with procurement contracts for goods and services.

Budget 2004 also confirms the Government's plan to examine and focus government spending through the Expenditure Review Committee as part of its efforts to renew and rejuvenate government and to invest in high quality government management.

The Expenditure Review Committee will:

- Examine every dimension of government spending.
- Focus on major interdepartmental activities and core areas of government operations.
- Identify within four years savings of at least $3 billion annually for ongoing investments in the priorities of Canadians—in health care, learning, communities, the disabled and Aboriginal Canadians.

Taken together, these measures will strengthen public sector management, enhance scrutiny, improve administration and help ensure that tax dollars are spent wisely.

For more information on the Comptroller General of Canada, visit www.tbs-sct.gc.ca.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

New Agenda for Achievement

The Importance of Health

March 23, 2004

Canada

"No other priority speaks so directly to the decisions we have made as a country about how we will live as a society."

Ralph Goodale, Minister of Finance
2004 Budget Speech

Strengthening Health Care

Canada's universal public health care system gives concrete expression to the principles of fairness and equality of opportunity that define our identity as Canadians.

Budget 2004 reaffirms the Prime Minister and Government's commitment to work with the provinces and territories to reform and sustain Canada's health care system.

It is, therefore, providing growing, predictable and sustainable funding in support of Canada's health care system. To that end Budget 2004:

- Confirms an additional $2 billion for the provinces and territories for health, bringing to $36.8 billion the funding provided under the 2003 Health Accord.
- Establishes a new Canada Public Health Agency, which will be a focal point in Canada's national network for disease control and emergency response.
- Provides immediate funding of $665 million this fiscal year and over the next two years to improve Canada's readiness to deal with public health emergencies. This is in addition to the about $400 million to be transferred from Health Canada to the new agency.

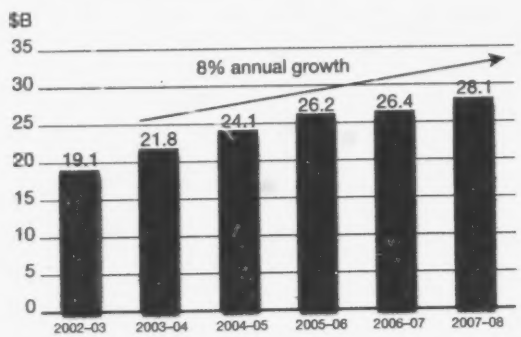
Investments in Health Care

The 2003 First Ministers' Accord on Health Care Renewal established growing and predictable new funding for health care and set out important reform and reporting objectives. Budget 2003 provided $34.8 billion in additional funding for health over five years.

At the January 2004 First Ministers' Meeting, the Prime Minister confirmed an additional $2 billion for health would be provided to provinces and territories. These funds will be provided on an equal per capita basis, through a cash supplement to the Canada Health and Social Transfer (CHST).

This $2 billion investment brings the annual federal contribution to public health spending in Canada to about 40 per cent of the total.

Federal Cash Transfer: Health and Social



To ensure growing and predictable support, the Government has legislated cash transfers to provinces and territories for health and social programs to 2007–08. In that year, cash transfers will reach $28.1 billion.

This is an average increase of $1.8 billion a year—and an average annual growth rate of 8 per cent over the five-year period of the Accord, which is substantially higher than the expected growth in nominal gross domestic product (GDP).

Improved Accountability for Transfers

The 2003 Accord set out a new accountability framework, including a commitment for provinces and territories to report regularly to Canadians, facilitated by the new Health Council.

The Government committed to make its transfers more transparent by restructuring the CHST into two new transfers as of April 1, 2004: the Canada Health Transfer and the Canada Social Transfer.

Combined cash and tax transfers, including the five-year, $16 billion Health Reform Transfer, bring federal support for health and social programs to $49.3 billion in 2007–08.

Sustainable Health Care

"The real challenge is putting Canada's health system on a truly sustainable footing. Indeed, when I met with my provincial and territorial colleagues in February, every single one of them reflected the consensus I had heard during all my pre-budget consultations—sustainability must be our focus."

Ralph Goodale, Minister of Finance
2004 Budget Speech

The framework of predictable and growing federal support for health care would not have been possible without the Government maintaining balanced budgets or better.

However, the high rate of growth of health care expenditures raises the question of how best to sustain Canada's publicly funded health care system without putting at risk either the hard-won fiscal progress made since the mid-1990s or much needed investments in other priority areas.

Canadians need their governments to work together on reforms to the health system and on ensuring its long-term sustainability for future generations.

To this end, the Prime Minister has proposed a First Ministers' Meeting this summer to discuss the sustainability of the health care system in the context of other national priorities.

A Stronger Public Health System

Recent public health emergencies have made it clear that changes are required to Canada's public health system to address future infectious disease outbreaks.

In making these changes, the Government's objective is to work with provinces, territories and other stakeholders to develop a seamless public health system, so that Canada is ready to respond to an infectious disease outbreak similar to severe acute respiratory syndrome (SARS).

A New Canada Public Health Agency and a Chief Public Health Officer

The Government will appoint a Chief Public Health Officer for Canada, who will be actively involved in the design and creation of the Canada Public Health Agency—including its organizational structure and its role in developing a national approach to public health—in close consultation with the Government of Canada, provinces, territories and other stakeholders. The Chief Public Health Officer will be the head of the new agency and will help coordinate the national response during public health disasters and emergencies.

The Canada Public Health Agency, reporting to the Minister of Health, will focus on the management of infectious diseases, emergency preparedness and response, and chronic diseases.

The new agency will make citizen engagement a key priority and will be linked to the global network of public health agencies. The Government will identify Health Canada programs and activities that will become part of the new agency.

Immediate Action to Address Existing Gaps

Budget 2004 proposes immediate additional funding of $665 million this fiscal year and over the next two years to improve Canada's readiness to deal with public health emergencies, including:

- $165 million to assist in creating the new agency and to fund its main activities. This is in addition to the about $400 million to be transferred from Health Canada to the new agency. Resources will be used to increase emergency response capacity, enhance surveillance by developing and implementing data collection standards, establish regional centres of excellence, expand laboratory capacity, and strengthen international coordination.
- $100 million to be invested in Canada Health Infoway to assess, develop and implement a high quality, real-time public health surveillance system to assist in the timely identification of infectious disease outbreaks such as SARS.
- $400 million to provinces and territories over the next three years to support a national immunization strategy and to relieve stresses on provincial and territorial public health systems that were identified during the SARS outbreak.

A Plan for the Future

The funding announced in this budget addresses immediate gaps in Canada's public health system. Through these changes, Canada's public health system will have greater capacity in surveillance, diagnosis and response, along with improved information sharing, training and education, and collaboration across jurisdictions.

The Government of Canada expects to make further investments once the new Canada Public Health Agency is set up, the Chief Public Health Officer has developed a comprehensive public health plan, and the Government has had the opportunity to evaluate the need for additional resources.

Improvements for Canadians with Disabilities and Caregivers

Improved Tax Fairness

The Government is taking steps to make the tax system fairer for persons with disabilities or above average medical expenses and those who care for them.

Since 1996 the value of tax relief for these individuals has more than doubled to over $1.2 billion a year.

In the 2003 budget, the Government established a Technical Advisory Committee on Tax Measures for Persons with Disabilities, which is scheduled to report in the fall of 2004.

Based on the Committee's work to date, Budget 2004 proposes a new disability supports deduction to reduce barriers to education and employment, at an annual cost of $15 million.

As well, additional tax relief will be provided to caregivers to better recognize medical or disability-related expenses incurred on behalf of their dependants, at a cost of $20 million in 2004–05.

Improved Workplace Integration

The Government of Canada will continue to work in partnership with provincial and territorial governments, employers and the community to increase support for workplace integration of persons with disabilities.

The Government will also ensure that its policies as the nation's largest employer do more to promote the hiring and retention of Canadians with disabilities in government employment. It will also encourage similar action in the federally regulated sector.

The budget provides increased funding of $30 million per year from 2004–05 onward to support employment assistance programming delivered by provinces and territories. This will significantly increase the Government's ongoing commitment of $193 million per year under the recently negotiated federal-provincial-territorial Multilateral Framework for Labour Market Agreements for Persons with Disabilities.

Facilitating Transitions into Employment

The Canada Pension Plan (CPP) will be amended to facilitate reintegration into the workforce of recipients of CPP disability benefits. Disability benefits will be reinstated to recipients who attempt to return to work but who are subsequently forced to stop working within two years for reasons relating to their disability.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

New Agenda for Achievement

Budget 2004

Learning: Cornerstone of Canada's Economic and Social Progress

March 23, 2004

Canada

"Knowledge is the road both to economic progress and individual opportunity, and education is the bridge to take us there."

Ralph Goodale, Minister of Finance
2004 Budget Speech

The Importance of Learning

Success in today's economy requires a well-educated and skilled population. Learning is the key to securing a higher standard of living and a better quality of life for all Canadians.

Canadians recognize the learning process starts with the birth of a child and continues throughout adulthood. Budget 2004 reflects this by:

- Introducing a new Canada Learning Bond (CLB), which will provide up to $2,000 for children born after 2003 in families entitled to the National Child Benefit supplement.
- Significantly enhancing Canada Education Savings Grant (CESG) matching rates for low- and middle-income families
- Accelerating funding for early learning and child care
- Introducing a new up-front grant of up to $3,000 for first year post-secondary dependent students from low-income families.
- Providing an annual up-front grant of up to $2,000 for eligible students with disabilities.
- Updating and enhancing the Canada Student Loans Program.
- Taking the first steps toward a Workplace Skills Strategy.

Helping Families Plan for Post-Secondary Education

Budget 2004 introduces targeted measures to help low- and middle-income families save for their children to go to college or university.

Canada Learning Bond

Starting in 2004 a $500 Canada Learning Bond will be provided at birth for children in families that are entitled to the National Child Benefit (NCB) supplement—generally families with incomes under $35,000.

Subsequently, these children will qualify for $100 CLB instalments until age 15, in each year their family is entitled to the NCB supplement.

Children born after 2003 who are not eligible for the CLB at birth but become entitled to the NCB supplement in a subsequent year will qualify at that time for a $500 CLB. Thereafter, they will qualify for annual $100 CLB instalments, in each year their family is entitled to the NCB supplement.

The CLB will be paid into a registered education savings plan (RESP) established by the family for the child's post-secondary education. An additional $25 will be paid with the initial $500 bond in recognition of the cost of establishing an RESP.

A child in a low-income family could receive CLB payments totalling up to $2,000, which—with a 3.5 per cent real rate of return—could be worth up to $3,000 by age 18.

It is estimated that in 2004 the CLB will benefit over 120,000 newborns, at a cost of $85 million.

Canada Education Savings Grant

Currently, for every $100 contributed to an RESP, the government provides a $20 grant called the Canada Education Savings Grant (CESG). The CESG can be as much as $400 a year for each child.

Budget 2004 proposes that, beginning in 2005, this 20-per-cent matching rate be doubled to 40 per cent for families with incomes up to $35,000. It also proposes increasing the rate to 30 per cent for families with incomes between $35,000 and $70,000. These enhanced CESG rates will apply to the first $500 contributed in a year to a child's RESP.

The enhanced CESG will be available to the families of more than 4.5 million children. It is expected to cost $80 million annually.

How the CLB and enhanced CESG may help a child in a family earning $30,000 annually:

- Madeline is born in 2004. Her parents together earn $30,000 annually and receive the NCB supplement each year.
- Madeline would receive the $500 Canada Learning Bond at birth and payments of $100 a year until she reaches 15, for a total of $2,000. Invested in an RESP, this could grow to $3,000 by the time she reaches 18.
- In addition, if Madeline's family puts $4 per week into the RESP, the Government of Canada would match these contributions at a rate of 40 per cent under the CESG. Over 18 years, RESP contributions would grow to $7,500. With the CLB, total savings in the RESP could reach $10,500.
- This would be enough to finance three years of tuition at a typical community college.

Early Learning and Child Care

Early learning and child care play an important role in the development of young children.

Budget 2004 proposes to accelerate implementation of the Multilateral Framework on Early Learning and Child Care by providing an additional $75 million in 2004–05 and $75 million in 2005–06.

The total federal commitment to early learning and child care will be $375 million over the next two years. This is an increase of two-thirds over previously committed funds. It will mean up to 48,000 new child care spaces or up to 70,000 fully subsidized spaces for children from low-income families.

Budget 2004 also adds a further $10 million over four years for early learning and child care services for First Nations children living on reserves. This brings the federal government's total investment to $45 million.

Easing the Transition to Post-Secondary Education

To encourage entry into post-secondary studies, the Government will provide eligible first-year post-secondary students from low-income families with a new up-front grant as part of the Canada Student Loans program.

The grant will be for one-half of the cost of tuition up to a maximum of $3,000.

It is estimated that 20,000 dependent students will receive the new grant each year, at a cost of $30 million starting in 2005–06.

Further, to encourage persons with disabilities who are eligible for student loans to participate in post-secondary education, a new up-front grant of up to $2,000 will be introduced. More than 6,000 students a year will benefit from this measure, at a cost of $15 million starting in 2005–06, rising thereafter.

Enhancing Canada Student Loans

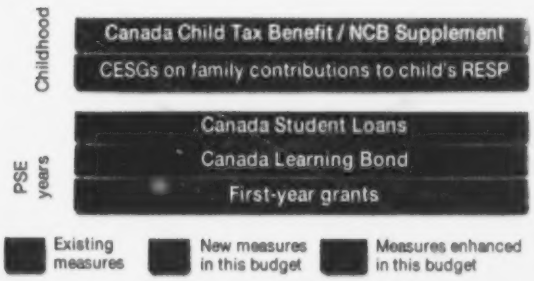
It is estimated that in 2000–01, 60 per cent of students had a federal or provincial student loan.

To reflect increases in education costs since 1994, the federal loan ceiling for Canada Student Loans will be increased to $210 from $165 a week. The increase also takes into account the growing need for study tools, such as computers.

This measure will increase student loan costs for the Government of Canada by an estimated $74 million starting in 2005–06.

Furthermore, to broaden eligibility for Canada Student Loans and provide more assistance for those who already qualify, the parental contribution expected from middle-income families will be reduced. This measure would provide more access to student loans for 40,000 families.

Federal Support for Low-income Students



Easing Undue Financial Burdens After Leaving School

The current Canada Student Loans program recognizes that the transition from school to workplace can be difficult. As such, it provides debt management measures—interest relief and debt reduction—for graduates facing financial hardship in repaying their loans after leaving post-secondary education.

To further assist borrowers experiencing difficulty in repayment, the income thresholds used for determining eligibility for interest relief will be increased by 5 per cent.

For borrowers who remain in financial difficulty after exhausting interest relief, the maximum amount of debt reduction will be increased to $26,000 from $20,000. This is to ensure that the increase in the weekly loan ceiling does not result in greater financial hardship for borrowers experiencing long-term difficulty in repaying their loans.

The cost of these two measures is estimated to be $8 million in 2005–06.

As well, current debt management measures will be reviewed with the aim of simplifying and improving them to better reflect the capacity of borrowers to repay their debts.

Encouraging Lifelong Learning

"To ensure that the benefits of a growing economy are shared fairly, we must be a nation that provides its citizens with the opportunity to improve their skills over the full course of their lives."

Ralph Goodale, Minister of Finance
2004 Budget Speech

The Government of Canada is moving forward on its Workplace Skills Strategy. In developing a strategic plan for workplace skills of the future, the Minister of Human Resources and Skills Development will seek advice from employers and workers, industry associations, skills providers, provinces and communities.

As an immediate measure, Budget 2004 provides $15 million over two years for a pilot project to provide matching funding for union-based training centres. The funding will be used to purchase new equipment and machinery to meet current industry standards and requirements.

This budget also provides an additional $15 million a year to provide skilled immigrants with work-related language training at more advanced levels.

Furthermore, Budget 2004 makes the education tax credit available to employees who pursue career-related studies.

Better Opportunities for Aboriginal Canadians

The Government is committed to bringing about concrete improvements in the economic opportunities and living standards of Aboriginal Canadians.

Budget 2004 confirms the five-year funding for the Aboriginal Human Resources Development Strategy and provides $125 million over five years to replace funds that were scheduled to end on March 31, 2004.

This funding will enable continuation of programs and services provided to urban Aboriginal clients. It will also ensure training for the organizations administering the strategy and access to quality child care for many First Nations and Inuit clients while they pursue training or employment opportunities.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

New Agenda for Achievement

A New Deal for Communities

March 23, 2004

"For this government, the need for a New Deal is clear, the benefits compelling and the time is now."

Ralph Goodale, Minister of Finance
2004 Budget Speech

Great Places to Live—A New Deal

Canadians want communities that provide affordable housing, good roads, public transit, safe neighbourhoods and abundant green spaces. That is why the Government of Canada has committed to a New Deal with communities of all sizes.

The objectives of the New Deal are to:

- Ensure Canada's communities have reliable and predictable long-term funding.
- Provide more effective program support for pressing infrastructure and social priorities in communities.
- Help equip communities to develop local solutions for local problems.
- Give communities a stronger voice in the decisions that affect them.

To meet those objectives, Budget 2004 takes the following first steps:

- Full goods and services tax (GST) relief for municipalities of all sizes.
- Accelerated infrastructure funding.
- A stronger voice for municipalities.
- Support for cleaning up contaminated sites.
- Funding for immigration settlement and integration.
- Funding to improve programs and services for Aboriginal Canadians in urban areas.

Canada

Partnerships Are Key

The Government recognizes that the long-term success of the New Deal depends on close partnerships with communities, provincial and territorial governments, as well as with the private and non-profit sectors.

Full Goods and Services Tax Relief

Municipalities will receive an estimated $7 billion in GST relief over the next 10 years. They can invest this money in critical priorities such as roads, transit and clean water.

As of February 1, 2004, relief is being provided by allowing municipalities to recover 100 per cent of the GST and federal component of the harmonized sales tax (HST) they pay. The rebate for municipal purchases prior to that date was 57 per cent.

GST Relief for Municipalities—Example

A town buys $200,000 worth of snow removal equipment and pays $14,000 in GST.

- Under the previous rebate, the town would have been eligible to recover 57 per cent of the GST paid, which is $8,000.
- A full rebate now allows the town to recover the entire $14,000, or an additional $6,000.

Further, as the Speech from the Throne stated, the Government will work with provinces to share with municipalities a portion of gas tax revenues or determine other fiscal mechanisms that achieve the same goals. Over the coming months, the Government will launch these discussions with provincial-territorial governments and will continue to consult with municipalities.

Acceleration of Infrastructure Funding

The $1 billion set aside in last year's federal budget for the Municipal Rural Infrastructure Fund will be spent over the next five years instead of over 10 years as originally planned.

This will give municipalities across Canada quicker access to the funds they need to plan their infrastructure improvements and put them in place.

The Municipal Rural Infrastructure Fund is designed to help municipalities pay for smaller-scale projects, such as those relating to water infrastructure and local transportation.

In the last two budgets, the Government has added $4.6 billion to the Canada Strategic Infrastructure Fund and the Border Infrastructure Fund, of which more than $1.5 billion remains available for new commitments.

A Stronger Voice for Municipalities

The Government is committed to giving municipalities a stronger voice in matters that affect them. Already, there are examples of progress in this area:

- The Prime Minister has appointed a Parliamentary Secretary to lead federal efforts to secure a New Deal for communities.
- The new External Advisory Committee on Cities and Communities, chaired by Mike Harcourt, has been established to ensure that the concerns of communities are heard and addressed on a continuing basis.
- The Minister of Finance has agreed to consult formally with municipal representatives prior to every federal budget. The first such consultation took place February 19, 2004.

Clean-Up of Contaminated Sites

Budget 2004 provides funding of $4 billion over 10 years to clean up contaminated sites.

Of this amount, $3.5 billion is provided for a major multi-year cleanup of contamination on federal lands. There are approximately 3,800 federal sites in Canada that are contaminated.

Federal Contaminated Sites—Examples

Federal contaminated sites can be found in every province and territory of Canada. Examples include:

- Giant Mine, Yellowknife.
- Harvey Barracks, Calgary.
- Canadian Forces Base Valcartier.

Of the Government's spending on federal contaminated sites, 60 per cent is expected to occur in the North, leading to economic development and employment opportunities for Aboriginal communities and Northern residents. Forty per cent of the sites affected by this announcement are located in or near urban areas.

The remaining $500 million will be dedicated to do our part in the remediation of certain other sites. A priority will be the tar ponds in Sydney, Nova Scotia.

Cleaning up contaminated sites will reduce threats to vulnerable ecosystems, enhance quality of life, and rejuvenate communities.

Immigration Settlement and Integration

New funding of $15 million annually will be allocated to the enhanced language training initiative to reduce labour market barriers faced by skilled immigrants.

"The continuing gap in life conditions between Aboriginal and other Canadians is intolerable. It offends our values; we cannot remain on our current path."

Prime Minister Paul Martin
Reply to the 2004 Speech from the Throne

Programs for Urban Aboriginal People

Two examples of federal programs that help address the priorities of Aboriginal people and communities are:

- The Urban Aboriginal Strategy (UAS), which helps communities develop new approaches to local Aboriginal issues.
- The Aboriginal Human Resources Development Strategy (AHRDS), which provides access to training and employment.

Budget 2004 strengthens both of these programs by:

- Extending the UAS to more communities and doubling its total budget to $50 million. The program will also be extended to four years instead of three as previously planned.
- Confirming five-year funding for the $1.6 billion AHRDS, including replacement of $125 million over five years that was due to end on March 31, 2004.

Helping the Social Economy

Budget 2004 helps the social economy—organizations producing goods and services on a not-for-profit basis, with surpluses going to social or community goals.

- The Government will provide these enterprises with access to small business programs.
- Budget 2004 provides $162 million over five years to help establish regional patient capital funds, promote other sources of lending to benefit the sector, build capacity and undertake research.
- The budget funds a New Horizons for Seniors Program, which will help seniors to participate in social activities, pursue an active life and contribute to their community.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

New Agenda for Achievement

Building an Innovative Economy for the 21st Century

March 23, 2004

Canada

"Canada is developing an environment in which ideas flowing from scientific discovery are being generated at an unprecedented rate. Now we must focus on bringing these ideas to market; to realizing their commercial potential. That is what will drive our economy forward, increasing investment and employment."

Ralph Goodale, Minister of Finance
2004 Budget Speech

Introduction

With a resilient economy and strong fiscal base to build upon, Canada is uniquely positioned to benefit from the current global economic recovery.

Canada must continue to take action now to increase the competitiveness of Canadian business and ensure that we keep improving our standard of living.

Budget 2004 does this through a series of measures aimed at stimulating productivity by providing Canadian businesses and workers with the tools they need to build a 21st century economy, including:

- Increased support to commercialize the results of research conducted at Canada's universities, hospitals and research facilities.
- Providing more funds to support venture capital financing, which will trigger additional private sector investments.
- Improving Canada's tax system and making it more competitive, in particular through increases to capital cost allowance rates for information and communications technology assets.

Research and Innovation

Since balancing the budget in 1997–98, the Government of Canada has pursued a vigorous effort to fund research and innovation. Funding dedicated to research and innovation has increased each year since that time—a cumulative increase of $13 billion to 2004–05.

Budget 2004 builds on these efforts by boosting the Government's commitment in these crucial areas by adding:

- $90 million annually to the budgets of Canada's three federal granting councils: the Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council of Canada, and the Social Sciences and Humanities Research Council of Canada.
- $20 million a year to help Canada's universities and research hospitals offset the indirect costs of research.
- Reflecting the sale of Petro-Canada shares, the Government commits $200 million to Sustainable Development Technology Canada (SDTC), an arm's length foundation that supports development and demonstration of environmental technologies, and a further $800 million over the next seven years to support emerging environmental technologies.
- $60 million to Genome Canada to strengthen research in genomics, the study of the genetic code of people and other living things.

Commercialization of Research

Budget 2004 builds on Canada's existing efforts to bring research discoveries to the marketplace. This process, known as commercialization, opens new markets, creates new jobs and improves the well being of Canadians through better products and services. This budget adds:

- $50 million over five years to improve the capacity for commercialization at universities, hospitals and other research facilities.
- $25 million over five years to support proposals by federal science-based departments and agencies aimed at improving their research commercialization activities.
- $5 million per year to the Industrial Research Assistance Program (IRAP) to strengthen its support for the regional innovation initiatives sponsored by the National Research Council (NRC).

Venture Capital Financing

Budget 2004 takes steps to enhance access to venture capital financing, the lifeblood for new companies that are turning promising research into new products and services.

This will include $270 million set aside for new investments in venture capital financing by the Business Development Bank of Canada (BDC) and the Farm Credit Corporation (FCC). Specifically:

- $100 million for direct investment in new technologies to bring them to the next level of venture capital financing.
- $100 million to support the creation of specialized funds that will lever additional private equity investment in leading-edge technologies.
- $50 million to invest directly in innovative start-up and early-stage companies to further support the commercialization of enabling technologies.
- $20 million over two years to specifically provide venture capital financing for promising agriculture and agri-food companies.

When combined with private sector investments, the venture capital financing initiatives by the BDC and FCC are expected to lever a total of $1 billion in new venture capital investment.

Support for Small Business

Canada's small business sector is a key source of innovative ideas, which translate into jobs. Budget 2004 provides additional support by:

- Accelerating by one year the planned increase in the small business deduction limit—the amount of business income to which the lower 12-per-cent income tax rate applies—to $300,000 by 2005;
- Removing an impediment that has prevented small businesses, in some circumstances, from fully accessing the 35 per cent refundable scientific research and experimental development (SR&ED) investment tax credit.

- Extending the non-capital loss carry-forward period to 10 years. This will be particularly beneficial for innovative, start-up small businesses, which may experience financial losses while developing new technologies and products.
- Implementing a new Government Electronic Tendering System (GETS) to provide fair, equal and less expensive access to all businesses in applying for government procurement opportunities.

Supporting Small Business

Recent budgets have introduced tax measures that promote entrepreneurship and small business. These include:

- Increasing the small business deduction limit to $300,000 from $200,000.
- Reducing the capital gains inclusion rate to one-half from three-quarters.
- As of 2004, eliminating the federal capital tax for smaller corporations.
- Creating and subsequently expanding a tax-free rollover on investment in small business shares.
- Increasing registered retirement savings plan (RRSP) limits from $13,500 to $15,500 in 2004 and to $18,000 by 2006.

- Committing the Government to work with small business groups to reduce the paper burden facing small businesses, including clarifying government information requirements for small business and eliminating unnecessary duplication.

Strengthening Canada's Business Advantage

Canada has the lowest business costs among 11 nations in North America, Europe and Asia-Pacific, according to the 2004 edition of *Competitive Alternatives* released by KPMG.

Budget 2004 introduces new initiatives aimed at strengthening this competitive advantage to position Canada as one of the best countries in the world to do business.

Capital Cost Allowance (CCA)

One of the key elements of a competitive tax system is the treatment of capital assets, including equipment needed to produce goods and services. The CCA system determines how much of the cost of a capital asset a business may deduct in a particular year.

Productivity and competitiveness is increased by using improved technology. This translates into greater demand for goods and services and more new jobs.

Recognizing this, Budget 2004:

- Increases the CCA rate for computer equipment to 45 per cent from 30 per cent.
- Raises the CCA rate for broadband, Internet and other data network infrastructure equipment to 30 per cent from 20 per cent.

These changes will bring the rate at which businesses can write off their investments in line with the useful lives of these assets.

Stronger, More Efficient Capital Markets

Ensuring that the regulation of Canada's capital markets is governed by sound and flexible policies is a key element of promoting our business advantage. With this in mind, Budget 2004 includes the following measures:

- Commits the Government of Canada to working with the provinces and territories towards the development of a single securities regulator to promote greater efficiency in Canada's capital markets.
- The Government will seek views on how best to address any overlap in prudential, administrative and corporate services functions between the Office of the Superintendent of Financial Institutions and the Canada Deposit Insurance Corporation.

The Canadian Tax Advantage

Large and medium-sized businesses: As of 2004, the average federal-provincial corporate tax rate in Canada, including capital taxes, is 2.3 percentage points lower than the average U.S. federal-state rate. By 2008, the federal capital tax will be eliminated.

Small businesses: Canada provides significantly lower corporate tax rates than the U.S. on income above US$50,000 (about C$65,000).

Research and Development (R&D): Canada provides a 20 per cent tax credit for all R&D expenditures, compared to the U.S. 20 per cent credit for incremental R&D only. Canada also provides a 35 per cent refundable tax credit to small business that has no equivalent in the U.S.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.